

**MONEY RELEASED FOR COMPUTER MODERNIZATION,
IRS STRATEGY WINS SUPPORT**

WASHINGTON -- Congress on Wednesday approved releasing \$35.1 million as the first installment for modernizing the Internal Revenue Service's massive computer system. The move follows a rigorous review process, which included a new General Accounting Office report praising the IRS's initial effort on computer modernization.

"This represents a vote of confidence in our efforts to overhaul IRS computers and create a state-of-the art system designed to deliver top-quality service to taxpayers," IRS Commissioner Charles O. Rossotti said.

Senate and House Appropriations Committees leaders released the \$35.1 million, which will be used to finalize IRS technology modernization plans as part of the Prime contract.

"This partnership approach with Congress has helped us clear the early hurdles of technology modernization and puts us on track for creating a new system that works," Rossotti said. "We look forward to continuing this productive relationship with Congress and other groups in the review process."

This first release of technology funds followed a multi-step review process by several government boards and agencies, including GAO.

GAO's report delivered a favorable review of the IRS's early efforts on the technology project. The GAO endorsed IRS's incremental, step-by-step budgeting approach as a way of reducing risk in the complex computer project.

"IRS' initial expenditure plan is an appropriate first step toward successful systems modernization. ... Moreover, the plan is consistent with our past recommendations," GAO said in a June report to Congress.

The GAO also recommended the IRS needs to take additional steps in several areas, including outlining for Congress the agency's progress on its computer goals and budget as well as detailing the IRS's working partnership with the Prime contractor. Rossotti agreed with the agency's findings, and he said the IRS would provide the information in future requests.

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The \$35.1 million released Wednesday will be used for key early steps in the computer modernization process, including continuing work on the intricate IRS technology blueprint. The money will be divided among several areas:

- \$14.6 million for completing the technology blueprint and related initiatives. The work includes determining the timing and cost of new modernization projects during the next three to five years.
- \$11.6 million to develop management and engineering capabilities needed to build and run the complex project.
- \$8.9 million for several areas, including validating systems requirements and assisting efforts to improve telephone call routing of taxpayers contacting the IRS. This area will also lay the foundation for efforts to improve electronic taxpayer services, such as easier electronic filing and expanded Internet service.

"This stage will give us important building blocks for the rest of the computer modernization process," said IRS Chief Information Officer Paul Cosgrave. "This is an early step in a potential 10-15 year project to replace the agency's antiquated computer systems, some of which date back to when John Kennedy was president."

The IRS embarked on the project in December, when it selected a group headed by Computer Sciences Corporation to assist in the sweeping technology modernization project.

The joint project is known as the Prime, which stands for Prime Systems Integration Services contract. The long-term goal will be revolutionizing nearly every aspect of the IRS, with the new technology touching everything from the agency's core data systems to the processing of tax returns.

The \$35.1 million comes from \$506 million set aside in Fiscal Year 1998 and 1999 by Congress in the Information Technology Investment Account. Before Congress formally released any of the money, the IRS had to undergo a special multi-layered review process designed to ensure a proper approach to technology modernization.

Each IRS request faces review from several oversight groups: an internal IRS review group, the Treasury Department, the Office of Management and Budget and GAO. Leaders of the House and Senate Appropriations Committees have the final say on each release.

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"This partnership process forms a vital part of our computer modernization effort, and we look forward to working together in the months ahead," Cosgrave said.

IRS expects to seek release of additional money from the investment account this fall.

Rossotti emphasized the Prime contract is a long-term project, and it will take time for the full technological benefits to emerge.

"Change won't happen to our computer systems overnight," Rossotti said. "In the long run, this new technology will be a springboard for us to improve taxpayer service."

The \$35.1 million will help bring some short-term changes next year, such as improved telephone service for taxpayers. In the long term, the project will help taxpayers in several areas:

- Improving service for people contacting the IRS, whether by telephone or Internet. Better technology will give taxpayers better and quicker access to tax help, account information and Customer Service Representatives.
- Expanding projects involving Electronic Tax Administration, including more electronic tax-filing capabilities. The array of changes will help taxpayers get refunds in days instead of weeks and help the IRS meet its goal of 80 percent electronic filing by taxpayers in 2007.
- Using new technology to allow IRS workers to quickly retrieve tax records electronically while guaranteeing the security and privacy of taxpayers.

"To improve service to taxpayers, we need this new technology to be the backbone of the nation's tax system," Rossotti said.

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